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SENSITIVE
SIPDIS

TREASURY FOR OASIA/INA/CUSHMAN AND WINSHIP
DEPT FOR EAP/CM, INR/B
USDOC PASS BUREAU OF ECONOMIC ANALYSIS
USDOC FOR ITA DAS KASOFF, MELCHER, OCEA
STATE PASS USTR FOR STRATFORD, WINTER, KATZ
HHS FOR OGHA/STEIGER, BHAT, ABDO AND PASS TO FDA/LUMPKIN
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SUBJECT: SHANGHAI GOVERNMENT RESTRUCTURING FOLLOWS CENTRAL GOVERNMENT INITIATIVE

REF: BEIJING 1012

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Summary

1. (SBU) The CPC Central Committee and the State Council recently approved Shanghai's plan on restructuring municipal government agencies. The restructuring is in line with the Central Government's administrative reorganization in March 2008 at the National People's Congress, which also was known as the "Super Ministries" reform (reftel). In Shanghai, 27 previous municipal government entities were consolidated into 11 commissions, bureaus and administrations all of which report directly to one Central Government umbrella ministry or commission. The goals of the reform are to increase efficiency, establish clearer regulations and guidelines, and improve accountability. End Summary.

Details of the Restructuring

2. (U) The new Shanghai Municipal Government organizations are the: Economic and Informatization Commission, Commerce Commission, Bureau of Human Resources and Social Security, Public Health Bureau, Urban Rural Development and Transport Commission, Urban Communications and Harbor Administration, Housing Security and House Administration Bureau, Planning and Land Resources Bureau, Afforestation and City Appearance Administration, Supervisory Bureau, and Tourism Bureau. Each organization now reports directly to one Central Government ministry instead of multiple ministries.

3. (U) Municipal government organizations unchanged by the restructuring are the: Development and Reform Commission, Finance Bureau, Administration of Taxation, Auditing Bureau, Statistics Bureau, Financial Service Office, Foreign Affairs

Office, Ethics and Religious Affairs Commission, Office of Overseas Chinese Affairs, Administration of Industry and Commerce, Bureau of Quality and Technical Inspection, Agriculture Commission, Bureau of Civil Affairs, Bureau of Justice, State-owned Assets Supervision and Administration Commission, Safe Production Supervision Administration, Civil Defense Office, Education Commission, Science and Technology Commission, Culture, Radio Broadcasting, Film and Television Administration, Press and Publication Bureau, Population and Family Planning Commission, Physical Culture Bureau, Intellectual Property Rights Bureau, and the 2010 Shanghai World Expo.

¶4. (U) According to the flow chart released by the municipal government, Shanghai's eight vice mayors -- Yang Xiong (Executive Vice Mayor), Tu Guangshao, Tang Dengjie, Hu Yanzhao, Ai Baojun, Shen Jun, Shen Xiaoming, and Zhao Wen -- divide the responsibility for the new government structure, which now totals 37 commissions, bureaus, and administrations. Tang Dengjie retains the Foreign Affairs portfolio and adds the new Commerce Commission; Tu Guangshao (formerly Vice Chairman of the China Securities Regulatory Commission) retains the finance portfolios; and Shen Jun will handle the bulk of the restructuring as he supervises six new organizations under his environment portfolio.

Environmental Concerns

¶5. (SBU) As at the Central Government level, much of Shanghai's restructuring focused on environmental, food safety, and economic concerns. The reform elevated the status of the Shanghai Environmental Protection Bureau (SEPB) parallel to the

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creation of the Ministry of Environmental Protection (MEP), which replaced the State Environmental Protection Administration (SEPA) in the Central Government. SEPB Foreign Affairs Office Director Wu Chenjian told Congenoff the new bureau would add more departments and staff in line with its higher status and will participate in more decisions on Shanghai's overall development. (Bio Note: Wu said he plans to retire after SEPB completes its restructuring. End Bio Note.)

¶6. (SBU) Shanghai did not, however, create a local energy organization parallel to the creation of the Central Government's National Energy Administration under the National Development and Reform Commission. Contacts have told Congenoffs that municipal government leaders made the decision to not create a separate energy entity because Shanghai is not an energy producer.

Addressing Food Safety

¶7. (SBU) Under the reorganization, the Shanghai Food and Drug Administration (SFDA) will move under the umbrella of the Shanghai Public Health Bureau. This mirrors actions of the Central Government earlier this year and will hopefully result in clearer regulations and guidelines. SFDA's director, Wang Longxing, has been announced as the Party Secretary of the restructured Public Health Bureau. Shanghai contacts hope the new bureau will more effectively tackle product safety issues, as China's recent food and drug safety scandals have been partially attributed to inconsistent regulations and enforcement.

Adjusting to Economic Realities

¶8. (SBU) Recognizing economic pressures that are bringing together trade and investment issues, the government restructuring created the Shanghai Commerce Commission, which merged the duties of the former Shanghai Foreign Economic Relations and Trade Commission (SMERT), Shanghai Foreign Investment Commission, the Shanghai Economic Commission's responsibilities on domestic trade administration, and the

Shanghai Grain Bureau. The Commerce Commission's first Director will be Sha Hailin, who has strong ties to the United States, having been Minister Counselor for Bilateral and Congressional Affairs at the Chinese Embassy in Washington from 2001 to 2002, as well as a visiting scholar at Georgia Tech in Atlanta.

Bio Note: Sha Hailin

9. (SBU) Sha Hailin was appointed Director of the Shanghai Commerce Commission by the Shanghai Municipal People's Congress (SMPC), according to a SMPC personnel appointment announcement on October 23. Sha was born in June 1957 in Shanghai. He graduated from Shanghai Normal University and Shanghai Tongji University with a Master's degree in engineering and a Ph.D. in management. He was a visiting scholar at Georgia Institute of Technology in the United States and an intern with the U.S. firm, United Technologies Companies (UTC), with responsibility for strategic research.

10. (SBU) Sha's previous posts include Vice Principal of Shanghai Wusong Middle School, Deputy Director of the Communist Youth League Shanghai Party Committee, President of Shanghai College for Youth Administrators, President of Shanghai Youth Federation, Party Secretary of Shanghai Baoshan District Yuepu Town and Party Secretary of Shanghai Pudong New Area Rural Work Committee. When Sha worked at the CPC Shanghai Pudong Standing Committee, he served as standing member, Director of Department of Organization, Director of the Human Resource Bureau and Office Director of the Organizational Personnel Committee.

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11. (SBU) Sha passed the first public selection of senior diplomat test organized by the Chinese Ministry of Foreign Affairs and was appointed Minister Counselor at the Chinese Embassy in Washington, D.C. in charge of the Division of Bilateral and Congressional Affairs; he served there from March 2001 to August 2002. From August 2002 to November 2005, he served as Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to Ireland. He then returned to Shanghai and served as Vice Magistrate, Acting Magistrate, Deputy Party Secretary and Party Secretary of CPC Shanghai Luwan Standing Committee and Deputy Secretary General of Shanghai Luwan District Government. In recent months, he was in charge of the Shanghai Municipal Government's reconstruction projects in earthquake-affected areas in Dujiangyan, Sichuan Province.

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